


**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: April 14, 2010

SUBJECT: Fiscal Impact Statement – “Unemployment Compensation Reform Act of 2010”

REFERENCE: Bill Number 18-455, Draft Committee Print shared with OCFO on April 13, 2010

Conclusion

Funds are sufficient in the FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. Enactment of the proposed legislation would not affect the District's budget and financial plan.

The estimated cost of the proposed legislation is \$2.3 million for the remainder of FY 2010 and \$10.3 million for the FY 2010 through FY 2013 financial plan period. These costs would be absorbed by the reserves of the Unemployment Insurance Trust Fund of the District of Columbia, a separately resourced fund from the General Fund.

B18-455 makes permanent provisions passed by B18-418, Unemployment Compensation Administrative Modernization Emergency Amendment Act of 2009, and thereby allows the District's Unemployment Trust Fund to receive a one-time transfer of \$18.4 million from the federal government.¹

¹ These requirements are set forth by Public Law 111-5. Further details can be found in Unemployment Insurance Program Letter No 14-09, and its attachments, available at http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=2715.

Background

The proposed legislation would amend Section 7(f) of the District of Columbia Unemployment Compensation Act² to establish dependent benefits for recipients of unemployment insurance payments through the District's Unemployment Compensation Program. The benefits would be \$15 per week per dependent, not to exceed \$50 per week or one-half of a claimant's weekly unemployment benefit amount, whichever is less. Dependent allowance benefit would be payable to all recipients of the unemployment payments including those on the extended benefits program, through January 1, 2011.

The proposed legislation would also provide up to 26 weeks of unemployment payments to those claimants who have exhausted all unemployment benefits, including any extensions, so long as these claimants are enrolled and making satisfactory progress in a District approved training program. To qualify, a claimant must apply before the end of his or her initial benefit year or expended benefits period, and must be enrolled in a District approved or Workforce Investment Act authorized job training program. Claimants separated from "declining occupations" would be required to prepare for a return to the workforce in a "high-demand" occupation, as those terms are defined in the local labor market. Benefits would stop if the claimant stops making normal progress towards completion or completed the training program.

Dependent and training payments authorized under the proposed legislation would be charged to the fund balance of the Unemployment Trust Fund, and would not impact the individual employer's experience rates.

Furthermore, the proposed legislation provides that employees who left their jobs to accommodate their spouses' and domestic partners' work arrangements, to take care of a family member, or due to domestic violence against themselves or any member of their immediate family members, would not be denied unemployment benefits.

Finally, the proposed legislation would extend the length of time to file an appeal of an initial determination with respect to benefit eligibility from 10 to 15 days, and provide for additional extensions if any involved party could demonstrate neglect or good cause.

Financial Plan Impact

Funds are sufficient in the FY 2010 through FY 2013 budget and financial plan period to implement the provisions of the proposed legislation. The District of Columbia has a fully reimbursable unemployment compensation program. Since the additional benefits authorized under the proposed legislation would be charged to the fund balance of the Unemployment Insurance Fund, and not be billed to the employers with reimbursable programs, the proposal would not negatively affect the Unemployment Compensation Fund, which holds the

² Approved August 28, 1935 (49 Stat. 946; D.C. Official Code § 51-101 *et seq.*),

appropriations for the unemployment benefits paid out to ex-employees of the District Government.

The proposed legislation, however, will reduce the fund balance of the District's Unemployment Trust Fund. The below table summarizes the fiscal impact of the proposed legislation on this fund.

Fiscal Impact of B18-455 on the Unemployment Insurance Trust Fund (in millions of dollars)					
	FY 2010	FY 2011	FY 2012	FY 2013	Total
Training Benefits	\$0.2 ^a	\$2.0 ^b	\$2.0 ^b	\$2.0 ^b	\$6.1
Dependent benefits	\$2.1 ^a	\$2.1 ^a			\$4.2
Total	\$2.3 ^a	\$4.1	\$2.0	\$2.0	\$10.3

^a Captures one quarter.

^b DOES estimates 210 recipients who participate in training programs would be eligible. The estimate presented above includes 26 weeks of full payments to these individuals.

The fund balance of the Unemployment Insurance Trust Fund at the end of 2009 was \$329.7 million. The proposed legislation would reduce the fund balance by an additional \$2.3 million in the last quarter of FY 2010.³ In addition, the District has received \$18.3 million, provided as a part of the American Recovery and Reinvestment Act of 2009, to be used for the modernization of the Unemployment Trust Fund. Dependent benefits would expire at the end of calendar year 2010 (or one quarter into FY 2011), but dependent benefits would continue.

³ The fiscal impact statement issued for B18-418 estimated a full impact of \$14.8 million for the entirety of FY 2010. The reason last quarter is lower than one fourth of the estimate for the full year is that the additional benefits would no longer be paid during this period.